



TOWNSHIP OF HEATH  
Allegan County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2005

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Heath	<b>County</b> Allegan
<b>Audit Date</b> June 30, 2005	<b>Opinion Date</b> August 4, 2005	<b>Date Accountant Report Submitted to State:</b> December 1, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF HEATH  
Allegan County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

August 4, 2005

To the Township Board  
Township of Heath  
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Heath, Allegan County, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Heath's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Heath, Allegan County, Michigan as of June 30, 2005, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF HEATH  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2005

This section of the Heath Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets at June 30, 2005, totaled \$2,031,366.07. Of this total, approximately \$1,058,396.00 represents capital assets net of depreciation.

Overall, revenues were \$851,149.41.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund and the Cemetery Fund.

TOWNSHIP OF HEATH  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and the Cemetery Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's net assets increased by \$209,387.72 during the year ended June 30, 2005, totaling \$2,031,366.07.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$174,248.19 and fire protection, which incurred expenses of \$133,224.72.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township of Heath had no capital asset activity during the fiscal year ended June 30, 2005.

The Township of Heath had no long-term debt activity during the fiscal year ended June 30, 2005.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township plan for the future includes replacing existing equipment as it wears out. Plans are in the discussion stage.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Supervisor, Clerk, or Treasurer by calling 269-751-2403 during the hours of 8:00 AM to 5:00 PM.

TOWNSHIP OF HEATH  
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	941 228 07
Accounts receivable	<u>31 742 00</u>
Total Current Assets	<u>972 970 07</u>
NON-CURRENT ASSETS:	
Capital Assets	1 211 174 00
Less: Accumulated Depreciation	<u>(152 778 00)</u>
Total Non-current Assets	<u>1 058 396 00</u>
TOTAL ASSETS	<u>2 031 366 07</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1 058 396 00
Reserved	36 233 82
Unrestricted	<u>936 736 25</u>
Total Net Assets	<u>2 031 366 07</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2 031 366 07</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH  
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	87 115 81	-	(87 115 81)
General government	135 059 05	87 989 14	(47 069 91)
Public safety	147 469 51	4 400 00	(143 069 51)
Public works	174 248 19	2 500 00	(171 748 19)
Culture and recreation	91 751 35	67 142 00	(24 609 35)
Other	6 117 78	-	(6 117 78)
<b>Total Governmental Activities</b>	<u>641 761 69</u>	<u>162 031 14</u>	<u>(479 730 55)</u>
General Revenues:			
Property taxes			461 547 89
Other taxes			8 528 40
State revenue sharing			209 701 00
Interest			5 810 04
Miscellaneous			<u>3 530 94</u>
<b>Total General Revenues</b>			<u>689 118 27</u>
Change in net assets			209 387 72
Net assets, beginning of year			<u>1 821 978 35</u>
Net Assets, End of Year			<u>2 031 366 07</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF HEATH  
Allegan County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
June 30, 2005

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash in bank	901 953 89	36 233 82	938 187 71
Accounts receivable	31 742 00	-	31 742 00
Due from other funds	<u>3 040 36</u>	<u>-</u>	<u>3 040 36</u>
Total Assets	<u><u>936 736 25</u></u>	<u><u>36 233 82</u></u>	<u><u>972 970 07</u></u>
<b><u>Liabilities and Fund Equity</u></b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved	-	36 233 82	36 233 82
Unreserved:			
Undesignated	<u>936 736 25</u>	<u>-</u>	<u>936 736 25</u>
Total fund equity	<u><u>936 736 25</u></u>	<u><u>36 233 82</u></u>	<u><u>972 970 07</u></u>
Total Liabilities and Fund Equity	<u><u>936 736 25</u></u>	<u><u>36 233 82</u></u>	<u><u>972 970 07</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH  
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	972 970 07
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 211 174 00
Accumulated depreciation	<u>(152 778 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>2 031 366 07</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH  
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended June 30, 2005

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	461 547 89	-	461 547 89
Other taxes	8 528 40	-	8 528 40
Licenses and permits	47 686 50	-	47 686 50
State revenue sharing	209 701 00	-	209 701 00
Charges for services:			
Planning	4 400 00	-	4 400 00
Property tax administration	35 202 64	-	35 202 64
Cemetery	4 500 00	600 00	5 100 00
Recreation	67 142 00	-	67 142 00
Interest	5 361 62	448 42	5 810 04
Special assessments	2 500 00	-	2 500 00
Miscellaneous	3 530 94	-	3 530 94
Total revenues	<u>850 100 99</u>	<u>1 048 42</u>	<u>851 149 41</u>
Expenditures:			
Legislative:			
Township Board	87 115 81	-	87 115 81
General government:			
Supervisor	13 480 57	-	13 480 57
Elections	5 697 76	-	5 697 76
Assessor	7 468 82	-	7 468 82
Clerk	12 873 49	-	12 873 49
Board of Review	900 00	-	900 00
Treasurer	13 327 87	-	13 327 87
Building and grounds	52 012 34	-	52 012 34
Cemetery	16 763 20	-	16 763 20
Public safety:			
Fire protection	133 224 72	-	133 224 72
Planning Commission	7 226 32	-	7 226 32
Zoning Administrator	7 018 47	-	7 018 47
Public works:			
Highways and streets	174 248 19	-	174 248 19
Culture and recreation:			
Parks and recreation	90 977 35	-	90 977 35
Other:			
Payroll taxes	6 117 78	-	6 117 78
Total expenditures	<u>628 452 69</u>	<u>-</u>	<u>628 452 69</u>
Excess of revenues over expenditures	221 648 30	1 048 42	222 696 72
Fund balance, July 1	<u>715 087 95</u>	<u>35 185 40</u>	<u>750 273 35</u>
Fund Balance, June 30	<u><u>936 736 25</u></u>	<u><u>36 233 82</u></u>	<u><u>972 970 07</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH  
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 222 696 72

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(13 309 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>209 387 72</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HEATH  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Heath, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Heath. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HEATH  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Permanent Fund

The Cemetery Perpetual Care Fund is reserved for cemetery care.

Joint Venture

The Township is a member of the Hamilton Fire Department. The Township appoints two members to the joint venture's governing board, which then approves the annual budget. Financial information of the joint venture may be obtained from the Fire Department in Hamilton, Michigan.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2004 tax roll millage rate was 5.2118 mills, and the taxable value was \$88,981,753.00.

TOWNSHIP OF HEATH  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	30-50 years
Furniture and equipment	5-30 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF HEATH  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>941 228 07</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>841 410 28</u>
Total Deposits	<u>941 410 28</u>

The Township of Heath did not have any investments as of June 30, 2005.



TOWNSHIP OF HEATH  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
Land	600 000 00	-	-	600 000 00
Buildings	546 018 00	-	-	546 018 00
Equipment	<u>65 156 00</u>	<u>-</u>	<u>-</u>	<u>65 156 00</u>
Total	1 211 174 00	-	-	1 211 174 00
Accumulated Depreciation	<u>(139 469 00)</u>	<u>(13 309 00)</u>	<u>-</u>	<u>(152 778 00)</u>
Net Capital Assets	<u>1 071 705 00</u>	<u>(13 309 00)</u>	<u>-</u>	<u>1 058 396 00</u>

**Note 5 – Pension Plan**

The Township does not have a pension plan.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

As of June 30, 2005, the Township had building permit revenues of \$46,765.00 and building permit expenses of \$20,302.00.

**Note 9 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>3 040 36</u>	Current Tax Collection	<u>3 040 36</u>

TOWNSHIP OF HEATH  
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	435 000 00	435 000 00	461 547 89	26 547 89
Other taxes	8 600 00	8 600 00	8 528 40	(71 60)
Licenses and permits	45 900 00	45 900 00	47 686 50	1 786 50
State revenue sharing	210 000 00	210 000 00	209 701 00	(299 00)
Charges for services:				
Planning	4 500 00	4 500 00	4 400 00	(100 00)
Property tax administration	26 000 00	26 000 00	35 202 64	9 202 64
Cemetery lot sales	3 300 00	3 300 00	4 500 00	1 200 00
Recreation	61 400 00	61 400 00	67 142 00	5 742 00
Interest	3 200 00	3 200 00	5 361 62	2 161 62
Special assessments	1 100 00	1 100 00	2 500 00	1 400 00
Miscellaneous	8 950 00	8 950 00	3 530 94	(5 419 06)
Total revenues	<u>807 950 00</u>	<u>807 950 00</u>	<u>850 100 99</u>	<u>42 150 99</u>
Expenditures:				
Legislative:				
Township Board	90 980 00	90 980 00	87 115 81	(3 864 19)
General government:				
Supervisor	13 700 00	13 700 00	13 480 57	(219 43)
Elections	7 300 00	7 300 00	5 697 76	(1 602 24)
Assessor	7 700 00	7 700 00	7 468 82	(231 18)
Clerk	13 770 00	13 770 00	12 873 49	(896 51)
Board of Review	1 000 00	1 000 00	900 00	(100 00)
Treasurer	13 550 00	13 550 00	13 327 87	(222 13)
Building and grounds	58 900 00	58 900 00	52 012 34	(6 887 66)
Cemetery	14 480 00	19 536 28	16 763 20	(2 773 08)
Public safety:				
Fire protection	170 000 00	170 000 00	133 224 72	(36 775 28)
Planning Commission	8 750 00	8 750 00	7 226 32	(1 523 68)
Zoning Administrator	8 325 00	8 325 00	7 018 47	(1 306 53)
Public works:				
Highways and streets	182 000 00	182 000 00	174 248 19	(7 751 81)
Culture and recreation:				
Parks and recreation	90 557 50	116 342 19	90 977 35	(25 364 84)
Other:				
Payroll taxes	19 000 00	19 493 27	6 117 78	(13 375 49)
Total expenditures	<u>700 012 50</u>	<u>731 346 74</u>	<u>628 452 69</u>	<u>(102 894 05)</u>
Excess of revenues over expenditures	107 937 50	76 603 26	221 648 30	145 045 04
Fund balance, July 1	-	-	715 087 95	715 087 95
Fund Balance, June 30	<u>107 937 50</u>	<u>76 603 26</u>	<u>936 736 25</u>	<u>860 132 99</u>

TOWNSHIP OF HEATH  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2005

Township Board:	5 500 00
Salaries	4 041 02
Supplies	9 887 50
Legal fees	120 00
Telephone	78 60
Transportation	1 511 52
Printing and publishing	10 180 00
Insurance	2 800 00
Audit	29 856 94
Contracted services	20 302 00
Professional services	2 028 23
Memberships and dues	810 00
Miscellaneous	<u>87 115 81</u>
Supervisor:	13 200 00
Salary	91 19
Supplies	189 38
Transportation	<u>13 480 57</u>
Elections:	2 408 01
Wages	957 04
Printing and publishing	97 84
Transportation	958 93
Miscellaneous	1 275 94
Supplies	<u>5 697 76</u>
Assessor:	6 499 92
Salary	968 90
Miscellaneous	<u>7 468 82</u>
Clerk:	12 600 00
Salary	273 49
Miscellaneous	<u>12 873 49</u>
Board of Review:	900 00
Salaries	
Treasurer:	12 600 00
Salary	727 87
Miscellaneous	<u>13 327 87</u>
Building and grounds:	1 000 00
Wages	940 92
Supplies	1 684 01
Telephone	1 882 43
Utilities	40 605 66
Repairs and maintenance	391 75
Miscellaneous	5 507 57
Contracted services	<u>52 012 34</u>

TOWNSHIP OF HEATH  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2005

Cemetery:	
Salaries	4 193 00
Supplies	965 20
Repairs and maintenance	<u>11 605 00</u>
	<u>16 763 20</u>
Fire protection:	
Contracted services	<u>133 224 72</u>
Planning Commission:	
Salaries	2 850 00
Memberships and dues	600 00
Printing and publishing	3 265 65
Miscellaneous	<u>510 67</u>
	<u>7 226 32</u>
Zoning Administrator:	
Salary	6 825 00
Telephone	96 75
Transportation	<u>96 72</u>
	<u>7 018 47</u>
Highways and streets:	
Utilities	11 983 45
Repairs and maintenance	<u>162 264 74</u>
	<u>174 248 19</u>
Parks and recreation:	
Salaries	10 374 60
Supplies	44 208 75
Utilities	2 311 28
Repairs and maintenance	19 727 18
Miscellaneous	<u>14 355 54</u>
	<u>90 977 35</u>
Payroll taxes	<u>6 117 78</u>
Total Expenditures	<u><u>628 452 69</u></u>

TOWNSHIP OF HEATH  
Allegan County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended June 30, 2005

	<u>Balance</u> <u>7/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/05</u>
<u>Assets</u>				
Cash in Bank	<u>376 87</u>	<u>3 050 053 98</u>	<u>3 047 390 49</u>	<u>3 040 36</u>
<u>Liabilities</u>				
Due to other funds	376 87	493 583 80	490 920 31	3 040 36
Due to others	<u>-</u>	<u>2 556 470 18</u>	<u>2 556 470 18</u>	<u>-</u>
Total Liabilities	<u>376 87</u>	<u>3 050 053 98</u>	<u>3 047 390 49</u>	<u>3 040 36</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

August 4, 2005

To the Township Board  
Township of Heath  
Allegan County, Michigan

We have audited the financial statements of the Township of Heath for the year ended June 30, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Heath in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Heath  
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2005.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants